

Before the  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Competitive Product Prices  
Express Mail Contract 13 (MC2013-32)  
Negotiated Service Agreement

Docket No. CP2013-41

NOTICE AND ORDER CONCERNING AMENDMENT TO EXPRESS MAIL  
CONTRACT 13 NEGOTIATED SERVICE AGREEMENT

PUBLIC REPRESENTATIVE REDACTED COMMENTS  
(June 20, 2013)

## I. Background

On June 12, 2013, the Postal Service filed a Notice proposing to amend Express Mail Contract 13 (Amendment), which was conditionally added to the competitive product list in this docket. The filing is in response to Order 1640, in which the Commission approved the Express Mail Contract for three years provided the Postal Service amended it by filing “the standard annual adjustment provision, which increases second and third year prices by their respective price increases of general applicability for the base product.”<sup>1</sup>

The Postal Service’s Amendment does not appear to meet the method of determining price changes the Commission requested. Instead, the Amendment bases the price increases for the second and third years of the agreement on the average increase in prices of general applicability for Express Mail Commercial Plus or the previous year’s prices plus [REDACTED]. *Public Amendment at 1.* Consequently, the Commission requested Comments on the proposed Amendment. *Ibid.* These comments are a redacted version of the Public Representative’s Comments simultaneously filed with the Commission under seal.

## II. Comments

The Public Representative has estimated the price increase of general applicability for Commercial Plus Express Mail, by comparing the product of 2012

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<sup>1</sup> See Docket No. MC2013-32\_CP2011-41, Order No. 1640 at 5-6.

rates on 2011 volumes for all rate cells to 2011 revenues. This results in a volume-weighted percentage price increase less than zero. The Commission's approval condition required a volume-weighted percentage price change. Were this implemented, the Postal Service's cost coverage for this NSA could possibly [REDACTED] .

Affirming that second and third year price changes should be based on changes in prices of general applicability would be adopting the view that competitive NSA second and third year prices should retain the same discount levels from prices of general applicability during the life of the contract, [REDACTED] .

The Public Representative supports this method of determining second and third year price changes. If the Postal Service had filed second year price changes as part of its original filing, it is possible that it would have known that prices of general applicability would decline in the second year, [REDACTED] . Moreover, the Postal Service's other adjustment method is partly developed from prices that were effective after it filed the original NSA. These data are available only because the Commission's request for second and third year price changes had a deadline after second year prices became effective. The Postal Service and the Commission will not usually have access to such data. The Postal Service's method of determining an adjustment factor cannot be generalized. It is also very unlikely that the modest decline in prices of general applicability would bring the contribution towards the recovery of institutional costs below the required 5 percent level.

For these reasons, the Public Representative recommends the Commission affirm that the method of determining second and third year NSA price changes is equal to changes in prices of general applicability for the base product. It should reject the Amendment as filed, request the Postal Service to refile its Amendment according to its affirmed method of determining second and third year price changes, and make the re-filed contract effective the day of this filing.

The Public Representative respectfully submits the foregoing Comments for the Commission's consideration.

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